FOREIGN AGRICULTURE

January 28, 1974

World Fertilizer Shortage

East European Markets for U.S. Tobacco

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE

VOL. XII • No. 4 • Jan. 28, 1974

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Bulgarian workers harvesting tobacco. For several years, Bulgaria has been the largest producer of tobacco and the major exporter of both leaf and cigarettes to the Soviet Union and other East European countries. For details, see article beginning on page 8.

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Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate: $20.00 domestic, $25.00 foreign; single copies 45 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

World Fertilizer Shortage Could Ease by Late 1975

BY RICHARD B. REIDINGER
Foreign Demand and Competition Division
Economic Research Service

FERTILIZER—a key element in expanding global food production—is beset by a logjam of circumstances that have tightened world availability and threaten to keep a squeeze on supplies until well into 1975.

Foremost among current problems is a worsening imbalance between supply and demand, as worldwide demand strengthens in reaction to crop shortfalls caused by widespread drought in 1972. This caused many countries to increase fertilizer imports last year to help regain lost crop production. At the same time, demand for agricultural products on international markets remains at record levels, motivating stronger needs for fertilizers in food-surplus regions.

The tightening margin between supply and consumption of chemical fertilizers is confirmed by a recent bulletin issued by the UN's Food and Agriculture Organization (FAO), working with industry experts.

World nitrogen production in 1971-72, for example, was estimated at 35 million tons, compared with global consumption of 33.7 million tons—a relatively narrow margin. Nitrogen stocks accumulated in the late 1960's were said to be almost depleted.

Nitrogen output in 1971-72 declined or increased marginally in the major producing countries, compared with the previous year, according to the report. Although significant advances were estimated for the USSR and the People's Republic of China (PRC), parallel consumption gains negated the effect of higher production on world markets.

Toward the end of 1971-72, a similar squeeze between output and consumption developed for phosphate fertilizers, said the report.

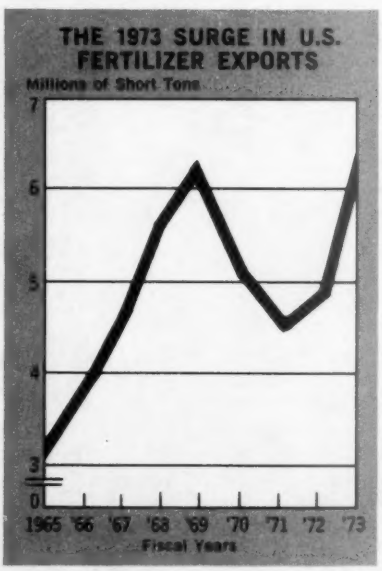
Combined world production of the three principal chemical fertilizers amounted to 74.5 million tons in 1971–72, FAO estimated, a gain of 7 percent over the previous year. Nitrogen production increased 6.5 percent over the previous year, phosphate gained 6.7 percent, while potash recorded the highest growth—8.2 percent.

Global fertilizer consumption in 1971-72 reached 72.1 million tons, registering a 6.1 percent rate of increase —somewhat less than the rate of production increase. Of world fertilizer consumption, nitrogen accounted for the largest share, 33.7 million tons, followed by phosphates, 20.9 million tons, and potash, 17.5 million tons.

According to the report, the heaviest rate of fertilizer application continued to be found in Europe, followed by North and Central America, the USSR, the PRC, Oceania, Asia, South America, and Africa.

Also tightening fertilizer availability is a shortage of key raw materials, primarily natural gas and naphtha, which promises to shorten further as global energy needs continue to expand.

According to a fertilizer industry spokesman, speaking at USDA's 1973 Outlook Conference, the U.S. fertilizer industry currently uses 450 billion cubic feet of gas annually, with a forecast



Farmer in India fertilizes fields to obtain maximum yields.

demand of 600 billion cubic feet by 1980. Recent curtailments in natural gas supplies have kept some U.S. nitrogen plants from operating at peak capacity.

Other energy needs of the U.S. fertilizer industry are equally important—and in equally short supply, he continued. To meet anticipated demand this year, the U.S. fertilizer industry estimates it will need 12 percent more No. 2 diesel fuel and 13 percent more fuel oil than last year.

Shortages of naphtha, caused by cutbacks in Mid-East oil production, reportedly have curtailed urea available for export from Western Europe and Japan. Primary suppliers of urea to developing countries, Western Europe and Japan depend primarily on imports of crude oil to produce naphtha, a by-product of petroleum refining.

An additional complication is a world shortage of bunker fuels for ocean vessels—most severe for bulk cargoes, such as fertilizers. Distribution and trade could be severely affected by transportation industry cutbacks caused by energy shortages.

Moreover, production capacity of the world's nitrogen and phosphate fertilizer plants has grown relatively little in recent years. Overcapacity and resulting low prices in the late 1960's have discouraged many countries from investing in new nitrogen fertilizer production facilities. Since construction of new plants requires a 2- to 3-year lead time, existing capacity must now expand to its limits to fill current needs.

Also causing concern in recent months has been a price situation that reflects the booming demand. Since mid-1971, world fertilizer prices have risen substantially—100 percent or more for some products. Until U.S. production was exempted from price controls on October 25, 1973, the wide gap between U.S. and world fertilizer prices siphoned more domestic supplies into export channels.

Consequently U.S. fertilizer exports during January-July 1973 rose 18 percent above those during the same months of 1972, leaving less fertilizer available for domestic use. The tight situation reportedly caused spot shortages for autumn sowing, even with utilization of plant capacity approaching 95 percent for some products. Estimates made before prices were decontrolled indicated a U.S. shortage in 1973-74 of 1 million tons of nitrogen and 0.7 million tons of phosphate.

When U.S. price controls on fertilizer and production materials were lifted by the Cost of Living Council, domestic prices at the manufacturers level jumped as much as 40-50 percent, rising to parallel world prices. As a result, U.S. fertilizer exports leveled off sharply—a situation that reportedly could cause a 1-million-ton drop in supplies available on international markets. Under the terms of deregulation, U.S. fertilizer manufacturers agreed to supply an additional 1.1 million tons of fertilizer to domestic markets in the first half of 1974.

Theoretically, the abrupt reduction in fertilizer availability in developing countries could reduce potential for building food self-sufficiency. In developed countries, declining imports of fertilizer

Bags of fertilizer at Yunchun Chemical Fertilizer Plant in China's Fukein Province.

could draw down yields and acreage planted, necessitating higher imports of agricultural products.

A fertilizer shortage would affect developing countries most—partly because of heavy dependence on imports. Japan and Western Europe—major fertilizer suppliers to India—have announced that they will not be able to meet export commitments this year due to fuel shortages. Earlier, the USSR, Romania, and Bulgaria had reduced export commitments, which will have adverse effects on production, especially on spring-harvested crops.

As a result of record prices and strong demand last year—and shortened energy supplies this year—fertilizer inventories and exportable supplies in producing countries are down sharply. Japan, largest exporter of nitrogenous fertilizers, sold out of urea—its principal fertilizer export by mid-1973. Kuwait, an important new producer and exporter of urea, reportedly sold all its available supplies last year to the PRC and India.

Together, the PRC and India take roughly 30 percent of total world nitrogen imports. The PRC, world's largest nitrogen importer, purchases roughly 50 percent of its nitrogen fertilizer. The PRC depends heavily on Japan for its nitrogen, taking some 80 percent in 1972, compared with 30 percent a few years ago.

India is another major nitrogen importer, purchasing about 40 percent of its fertilizer requirements. Although both countries are building up their fertilizer production capacity, they will depend heavily on imports for the next few years.

The present fertilizer crunch has been building up since roughly mid-1971. In many plants that were begun, construction delays pushed back startup dates. Operating difficulties have plagued many newly completed plants.

Construction and operating difficulties have been most severe in developing countries where much of the new capacity, particularly for urea, is concentrated. As these problems are solved, fertilizer supplies will improve.

Data from the National Fertilizer Development Center, Tennessee Valley Authority (TVA), indicate that matching short-term world supply with demand will require high rates of utilization of existing plants. Capacity utilization rates will have to remain near or above 90 percent in developed countries and rise to roughly 70 percent in the developing countries. The latter cur-

FERTILIZER CONSUMPTION, PRODUCTION, IMPORTS, AND EXPORTS, 1972
[In 1,000 metric tons]

Area	Nitrogen				Phosphate				Potash			
	Consumption	Production	Imports	Exports	Consumption	Production	Imports	Exports	Consumption	Production	Imports	Exports
Developed regions:												
North America	7,708	9,078	794	1,373	4,679	6,455	312	1,329	4,108	6,110	2,854	4,464
West Europe	7,158	8,630	1,331	2,662	5,897	6,348	1,119	1,449	5,160	4,976	2,749	2,014
Oceania	135	170	15	26	1,122	1,103	9	—	193	—	200	—
Other[1]	1,115	2,388	37	1,300	976	1,034	21	61	703	552	606	531
Total	16,118	20,266	2,177	5,361	12,674	14,940	1,460	2,839	10,164	11,639	6,409	7,009
Developing regions:												
Africa	368	115	275	23	284	426	172	332	162	274	178	—
Latin America	1,486	807	906	243	1,043	479	587	—	698	24	708	11
Near East	887	403	600	140	373	231	158	42	25	—	27	—
Far East	2,978	1,821	1,082	57	986	511	445	7	588	—	549	—
Other[2]	6	—	6	—	1	—	1	—	—	—	—	—
Total	5,725	3,145	2,870	463	2,686	1,647	1,362	382	1,474	298	1,463	11
Centrally planned:												
Asia, PRC	3,597	2,060	1,557	20	1,111	1,110	1	—	186	75	122	—
Europe, USSR	8,260	9,657	361	1,111	4,619	4,805	253	145	5,656	7,233	2,121	3,369
Total	11,857	11,717	1,918	1,131	5,730	5,915	254	145	5,842	7,308	2,243	3,369
World total[3]	33,700	35,129	6,964	6,954	21,090	22,503	3,076	3,366	17,480	19,245	10,115	10,388

[1] Israel, Japan, South Africa. [2] Christmas Islands, Fiji, French Polynesia, Gilbert and Ellice Islands, Nauru. [3] Totals may not add due to rounding.
Source: *Annual Fertilizer Review, 1972* FAO.

rently utilize only about 50 to 60 percent of their capacity.

Hardest hit by supply shortages have been nitrogenous materials, immediately critical to crop production because nitrogenous fertilizers tend to leach out of the soil while phosphates do not. Nitrogenous fertilizers—such as ammonium nitrate and urea—are obtained from synthetic ammonia, produced in turn from natural gas. The United States is the largest producer and consumer of nitrogen fertilizer.

Phosphate fertilizers, such as phosphoric acid, diammonium phosphate, and superphosphate are made by chemically treating phosphate rock. High world inventories of phosphate fertilizers and rock during the late 1960's reduced incentives for investment in phosphate plants and mining. Current plans, however, indicate a substantial increase in capacity during 1974. Improvement in U.S. phosphate fertilizer supplies can be expected within the next 2 years as U.S. producers increase their capacity by more than one-third.

World phosphate supplies, however, may remain tight, particularly if planned starting dates are delayed. TVA estimates indicate that meeting projected 1980 demand will require an operating rate of nearly 90 percent of capacity for phosphate mining plants, worldwide.

Potash, a third element in fertilizer, is not currently threatened by shortages. In Canada, world's second largest producer and principal U.S. supplier—production and prices are stabilized by the Saskatchewan Provincial Government.

CANADA'S POTASH supplies do not appear limited in the foreseeable future. Available mining and refining capacity is well above estimated short-term needs, and raw material deposits are not limiting major producing centers. A railway strike last summer did, however, cripple Canadian shipments.

During the next 2 to 3 years, easing of the tight world fertilizer situation will depend on maintaining high production in the developed countries and substantially increasing capacity in developing countries. Long-term depletion of raw materials in some producing countries could trigger adjustments in prices, technology, and location of facilities. But according to existing data, supplies of most basic raw materials appear adequate to fill world needs in the foreseeable future.

In the long run, the present tight situation will undoubtedly result in more investment in nitrogenous and phosphatic fertilizer production facilities. These investments, however, may follow a different pattern than in the past, as the developing regions increase consumption and developed areas exhaust their most easily exploitable natural gas and phosphate rock deposits.

Already several Middle Eastern countries are building nitrogen plants based on their vast natural gas reserves. Kuwait is now among the top 10 exporters of urea, according to recent reports. And in phosphates, Morocco has become the leading exporter of phosphate rock by tapping the vast rock deposits of North Africa.

New plants in nearby Spanish Sahara will shortly add substantially to world phosphate rock supplies. Plans call for annual production, which was about 1 million tons in 1973, to grow to 10 million tons by 1978.

Some major developing countries evidently feel that self-sufficiency in fertilizers is necessary. The PRC, for example, has contracted for 10 large ammonia-urea plants. With the first coming on line in early 1977, these plants will eventually add capacity for roughly 2.5 million tons of nitrogen—nearly 50 percent more than current PRC nitrogen imports. China has already begun work on these plants, with much engineering contracted to a U.S. firm.

Another major development in future fertilizer supplies is the $8 billion trade deal between a major U.S. petroleum producer and the USSR. As planned, the firm would build eight large plants in the USSR to produce ammonia, which would be traded for phosphoric acid produced by the firm in the United States. The Russian plants will have a total nitrogen capacity of nearly 3.3 million tons—equal to roughly 50 percent of current Russian nitrogen production. Fixed dates for startup of the project have not been announced.

Depending on economic and political situations, however, changes in technology could alter these emerging patterns. North America still has substantial reserves of "sour" natural gas, although processing it is more expensive than "sweet" gas. And natural gas is not the only source of hydrogen to make ammonia, the basic constituent of nitrogenous fertilizers. Fuel oil or even coal could become an economical substitute for natural gas.

Argentina's Oilseed Output And Exports Still Rising

BY JAMES W. WILLIS
Assistant U.S. Agricultural Attaché
Buenos Aires

WITH HIGHER PRODUCER and support prices as incentive, Argentina's oilseed production is expected to continue its upward swing in 1974. Meanwhile, increasing quantities of oil and meal are moving into export.

The new support levels for sunflowerseed, peanuts, and soybeans represent increases of 63, 69, and 90 percent, respectively, over those in effect at the same time last season, and are expected to encourage expanded output of spring sown oilseeds—soybeans and peanuts. With continued expansion in Argentina's soybean harvest, another good peanut crop, and an improved tung nut output, exportable supplies of vegetable oil could increase 40,000 tons and meal supplies more than 200,000 tons in 1974 over 1973.

In 1973 vegetable oil outturn rose 13.4 percent, providing most of the supplies needed to cover a 79 percent increase in total vegetable oil exports during January-October 1973, compared with the same period in 1972. Although tung nut oil output fell in 1973, tung oil exports have continued owing to a drawdown of carryover stocks.

Crushings for the first 10 months of 1973 produced total meal supplies 34 percent above last year's level. Due to limited use of protein meals in mixed feed production, most of this increase moved into foreign channels, resulting in a 86 percent gain in meal and pellet exports during the same period. With this heavy foreign outflow of meal supplies, protein meal prices soared and feeders claimed they were unable to meet these rising costs.

Recently the Government placed maximum price controls on beef and poultry, and, in doing so, limited domestic usage of feed meals. Later it imposed maximum prices on protein byproducts

to create a better cost-price relationship for the poultry industry. This measure, however, also encouraged oilseed crushers to sell to exporters rather than sell at lower prices to local mixed feed compounders.

Index values—used to set export taxes and thus regulate entry of oil and meal into foreign channels—set the pace for local prices of oilseed and their byproducts.

As of August 1, index values began a downward trend, reflecting a drop in world prices. Adjusting index values according to world price changes may have kept vegetable oils competitive, but protein byproduct shipments were being restrained by a Government decree that ordered dealers in oilseed pellets to sell 2 tons (later changed to 1 ton) locally for every ton they exported.

This announcement was intended to increase protein byproduct consumption, down this year as mixed feed compounders tried to sell to poultry producers at prices that cover increased raw product costs. Even so, a sales increase during the last quarter of 1973 may not be sufficient to offset the earlier decline. A complete recovery in byproduct consumption in 1974 will depend upon what price is established for poultry vis-a-vis protein meal costs. Protein meal accounts for only about 20 percent of the volume but over 70 percent of the cost of mixed feed.

The August decree—expected to reduce meal exports—caused concern among oilseed crushers who feared local markets would not be able to absorb additional supplies created by the restriction, causing a disposal problem for exporters with outstanding foreign sales. Any restriction on crushing due to the decree was also expected to affect vegetable oil exports, especially peanut and sunflowerseed oil, since soybean meal is substituting for protein byproducts from these two oilseeds. The relatively high volume of oil exports during the August-October period indicate that this decree was not unduly binding.

A 215-percent rise in local linseed oil prices from September 14, 1972, to the same date this year, reflected the 260-percent increase in Rotterdam linseed oil prices. The upward trend in sunflowerseed and peanut prices, unlike flaxseed, was due more to rising protein byproduct prices than to oil prices.

Weather conditions had been cited as critical in determining the final outcome of the 1973 harvest. Favorable conditions during most of the growing season offset losses caused by summer rains and severe frosts and, together with an 11-percent area increase, helped boost total oilseed production—recovering from the drought of 1971-72—26 percent for 1972-73.

Estimates suggest a slight increase in total area planted to oilseeds in 1973-74, with a decline in area sown to sunflowerseed expected to be offset by expanded soybean and cotton plantings. Contributing to the anticipated 1974 decline in sunflowerseed oil and meal outturn is the reduction in the area sown to wheat, a crop rotated with sunflowerseed in the north. Also, corn and sorghum, whose support prices have also risen, will compete heavily with oilseeds, especially in areas not sown to wheat. Producer price levels for sunflowerseeds and those for alternative crops will influence the sowing of a second crop of sunflowerseed after the wheat harvest.

Doubled acreage accounts in part for the 124-percent increase predicted for soybean output, making soybeans Argentina's second largest oilseed crop for 1973-74. Having replaced some of the area previously sown to sunflowerseed, soybeans may also be substituted for corn in some areas where dry conditions delayed corn plantings.

If production doubles and producers receive remunerative prices, Argentina may set a record by achieving a soybean crop of about 1 million tons no later than 1975-76 and possibly by 1974-75.

Although linseed and peanut oil will surpass soybean oil outturn in 1974, soybean meal output for 1974 is forecast at 300,000 tons, second only to sunflower meal production, estimated at 400,000 tons. The larger soybean crop, together with resumed peanut crushings, should raise the 1974 level of edible oil exports by nearly 40 percent.

The area sown to peanuts in 1974 may increase slightly as producers receive favorable returns from last season's crop. Peanut production is expected to be down, however, with the lower 1974 yields unable to match the 46-percent gain of last year's crop, grown under improved conditions.

Foreign sales of peanut oil surged ahead of 1972 totals due to the reduction of the export tax in August 1972, with shipments at 64,347 tons during the first 7 months of 1973, compared with 18,785 tons shipped the same period in 1972. On July 26, 1972, the Government imposed a 15-percent mobile tax on peanut oil—an act enabling buyers for local markets to compete with exporters for this product—but other vegetable oils, such as sunflowerseed oil, are usually preferred locally.

Local markets continue to consume all of the supplies from cottonseed oil production. Cottonseed meal and oil outturn are both expected to rise 10 percent, following an anticipated production increase in cottonseed for the 1974 season.

Of inedible oils, flaxseed, produced in Argentina's northern Province of Entre Rios, must compete, like sunflowerseed, with corn, soybeans, and possibly grain sorghum. Low moisture levels may restrict an expansion in area sown to flaxseed, as 1973-74 production is expected to remain at the 1972 level of 300,000 tons. Considered low, the official estimate for area sown is 950,000 acres; should rains resume, however, the total area may reach 1.1 million acres.

A reduction in area will limit recovery of tung oil production, expected to fall below the high 1972 level of 170,000 tons. Producers hindered outturn when, due to low prices, they began culling old and less productive trees last season. Damaging frosts, which last season destroyed fruit at the flowering stage, are not believed to have been a significant factor this season. A continuation of good growing conditions could lead to a final tung nut output of 100,000 tons.

Compensating for the 145,000-ton reduction in the 1973 nut collection, larger tung oil carryin stocks let exporters ship 7,505 tons of tung oil during January-October 1973, compared with 14,260 tons the same 1972 period. Only 3,000 tons of the 1973 tung oil exports could be drawn from this year's reduced harvest.

As for other oil exports, olive oil is moving into foreign channels at about the same rate as last season. Due to a larger outturn of flaxseed in 1973, exports of linseed oil are running 60 percent above last year's.

"Piggyback" Transport Speeds U.S. Cotton to Mills and Ports

In a season when many farm commodities are feeling the pinch of transport and fuel shortages, the U.S. cotton industry is exploring an innovative and economical alternative to traditional truck and train shipping methods. Discussed in detail at a recent conference sponsored by the National Cotton Council was a "piggyback" technique, whereby truck-type trailers of cotton are beginning to be speeded to spinning mills and ports via railroad trailer cars.

The application of the piggyback transport method to cotton movements was explored by some 150 cotton and railroad industry representatives attending a Greenville, S.C., seminar. Presentations included detailed descriptions of the piggyback system as applied to cotton transport, spinning, marketing from both traffic and merchandising standpoints, and warehousing. Experiences with piggyback methods that resulted in cost-saving were recounted by a textile industry executive.

Adding a note of urgency to the meeting was the fact that global demand for U.S. cotton is exceptionally high this season, and export sales in the 1973-74 season could total some 6 million bales. Domestic demand, too, is buoyant, as mills find it more difficult to secure adequate supplies of manmade fibers.

"Basic to the success of the piggyback method is a dependable reservoir of truck-type trailers, as well as railroad flatcars and loading and unloading facilities at origin and destination."

Relatively tight supplies and overloaded warehouse facilities could limit shipments, however, and deny some domestic mills and foreign customers an adequate supply of raw materials.

Moreover, the transportation crunch began somewhat later than usual this season, according to R. Herschel McRae of the National Cotton Council. Heaviest movement of new-crop cotton in 1973 began in mid-October and extended through January—making efficient transportation even more critical.

Basic to the success of the piggyback method is a dependable reservoir of truck-type trailers, as well as railroad flatcars and loading and unloading facilities at origin and destination points. Of equipment availability, B. A. Logan of the Illinois Central Gulf Railroad, reported that railroads serving the southwest now control a fleet of some 100,000 dry van trailers, suitable for cotton loading, and have access to several thousand more from trailer leasing firms. These trailers, which are shipped on railroad flatcars, each have a capacity of some 42,000 pounds.

But Logan warned that flatcar supplies might be more of a limiting factor than the supply of trailers. Some relief may be in sight, however, as one firm alone plans to add some 6,000 flatcars to the national pool this year.

A further comment by Logan suggested that railroads are interested in promoting the piggyback methods, putting forward their best efforts toward handling this method of transportation. On certain railroads, in certain flows, he said, piggyback trains are Class A trains, running on passenger schedules, so they get special consideration from unions and crews. The trains also avoid switching delays in terminals, resulting in improved transit times, compared to conventional boxcar loads.

Of freight cost per bale, Logan commented that there may be substantial saving on the the export side due to less handling at the port. On domestic cotton, he suggested that there might also be a saving in cost.

This view was confirmed by George R. Herron of J.P. Stevens and Company, Inc., a textile firm with wide experience in containerized shipping methods. The piggyback method of shipping cotton, while similar in concept to containerized shipments, differs in that cotton must be unloaded from dry vans at ports to be reloaded into ships' holds.

Summarizing, Herron maintained that in light of his company's experience, piggyback movement of cotton definitely has merit. Although it may never be a substitute for boxcar or overland truck shipment methods, it could be a useful supplement, in view of current boxcar and fuel shortages, he said.

Moreover, the method has economic advantages, he continued, with savings averaging about 25 cents per hundredweight in a door-to-door movement, compared with boxcar rates. Of course, rates vary depending on points of origin and destination.

"Although it may never be a substitute for boxcar or overland truck shipment methods, it could be a useful supplement in view of current boxcar and fuel shortages."

But, Herron pointed out, there are disadvantages to piggyback shipment. Ramp facilities are limited in some areas and rates are unpublished in other areas. So, piggyback movement now has somewhat limited application.

Further, compresses are better equipped to load boxcars, Herron continued, and the number of available truck docks is limited. Moreover, arranging for draymen at origin and destination points poses an additional problem in coordination, particularly in peak movement periods. Some boxcar and truck disadvantages—demurrage charges, mill capacity for trailers, and loading out charges—also apply to piggyback movement.

A definite disadvantage, Herron pointed out, is the unclear insurance status of piggyback-shipped cotton.

As a result of questions raised on insurance liability, the National Cotton Council sponsored a further meeting with railroad industry representatives. Participants agreed that drayage companies were responsible for insurance coverage on movements from warehouse to rail loading ramps, and from rail unloading ramps to mills. No agreement was reached on rail liability on ramp-to-ramp movement, however.

Since the meeting, all rail lines have reported that essentially they will treat a cotton loss or damage on a ramp-to-ramp piggyback movement as if it were a boxcar claim.

U.S. Tobacco Exporters See New Markets in Eastern Europe

BY LEROY HODGES
Tobacco Division
Foreign Agricultural Service

TOBACCO EXPORTERS in the United States are taking a closer look at the East European countries of East Germany, Yugoslavia, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, and Albania as virtually untapped markets for high-quality flue-cured and burley cigarette tobaccos.

This area has attracted attention due to the impressive expansion of the gross national product (GNP) in the past decade (nearly 5 percent annually). During the past 3 years, the rate has accelerated greatly with Bulgaria and Romania taking the lead.

Traditionally, an increase in population accompanied by a rising standard of living tends to shift cigarette consumption to the blended filter-tipped cigarettes now popular in Western Europe and the United States. To produce these blends, manufacturers find it necessary to import the distinctive high-quality flue-cured and burley tobaccos produced in the United States. As a result, U.S. tobacco sales to East European countries are beginning to pick up and are probably destined for continued expansion as political and trade barriers are relaxed.

Total tobacco production in these countries increased by 16 percent between 1970 and 1972, reaching a total of nearly 800 million pounds in 1972. Domestic consumption and exports of both leaf and cigarettes also are expanding rapidly.

Bulgaria is the most important tobacco producing country in Eastern Europe with annual production close to 290 million pounds. All aspects of the tobacco industry are tightly controlled by a State monopoly. Under the able administration of Bulgartabac, Bulgaria for several years has been the largest producer of tobacco and the major exporter of both leaf and cigarettes to the Soviet Union and other East European countries.

Bulgaria has good soil and climate for the production of oriental tobacco. Large collective farms with abundant cheap labor, adequate fermentation facilities, and mechanized manipulation plants gives Bulgartabac the flexibility to meet the demands of its foreign customers for tobacco.

Despite the tremendous demands for leaf to supply ever increasing domestic manufacturing requirements, Bulgaria has been trying to retain its foreign customers and has enjoyed higher exports to EC countries than expected. Although Greece and Turkey have trade tariff advantages, world shortages of oriental tobacco and rising prices of Greek and Turkish tobaccos have made Bulgarian oriental attractive.

Oriental tobaccos represent about 90 percent of total production, although Bulgartabac is expanding the cultivation of flue-cured and burley to meet the rising demand for blended-type cigarettes at home and abroad. As yet production does not near meet the growing demand.

Bulgaria has had spectacular success in cigarette exports mainly because the USSR has designated Bulgaria as the major source of its imported cigarettes and currently takes around 45 billion blended filter-tipped cigarettes annually. East Germany and Czechoslovakia are other large purchasers, taking approximately 5 billion and 3 billion, respectively, in 1972.

Poland, the second largest tobacco producer in Eastern Europe, is endeavoring to increase tobacco production this year by 20 percent above the 1972 level of 187 million pounds. Allotments to small half-acre farmers have been increased and substantially higher prices will be paid this year. Emphasis is placed on larger production of flue-cured tobacco for which demand is spiraling.

Poland's tobacco exports dropped sharply in 1972 to 17.5 million pounds from the 27 million pounds exported in 1971, due primarily to the short crop produced in 1971. West Germany, Austria, and Sweden were Poland's best customers in 1972.

Cigarette production rose sharply in 1972 increasing by 17 percent to 84 billion pieces. Export sales were heavy but below expectations as the USSR purchased only 5 billion cigarettes instead of the 8 billion anticipated. Domestic consumption increased by about 3 percent and no change in this upward trend is expected for 1973. Per capita consumption in 1972 was 2,284 pieces.

The least expensive Polish cigarette, Sports, accounts for close to 75 percent of total sales. Klubowe, the same brand but with filter, increased its sales from 5.3 billion in 1970 to 9 billion in 1972. No major shift to filtered cigarettes is apparent as yet, but as incomes increase and consumers become more aware of health problems associated with smoking, sales of filtered cigarettes should increase.

The Monopoly is spending a great deal of money to modernize its manufacturing facilities in order to improve cigarette production both in quality and quantity.

A significant development last year was the introduction of a new luxury American-blend cigarette, AB, a king-size filtered cigarette containing U.S.

flue-cured and burley tobacco. Two other American-blend cigarettes, Carmen and Caro, have been produced for years but production has been kept far below demand. Sales of these three brands should reach at least 700 million this year.

In 1972 Poland bought approximately 1.2 million pounds of U.S. tobacco and in the first 7 months of 1973 purchases exceeded 2 million pounds. Exports of U.S. cigarettes to Poland rose substantially in 1972 to 186 million pieces, reflecting increased purchases by tourists. A well-known American cigarette brand will soon be produced under license in Poland and this should further increase U.S. tobacco sales to that country.

Yugoslavia has boosted its tobacco production by 54 percent in the past 3 years to 145 million pounds in 1972. Efforts are being made to increase production even more as evidenced by a 10-percent increase in prices paid farmers in 1973 on the four major types of tobacco: Oriental, semi-oriental, Virginia, and burley. This increase in leaf prices is expected to be reflected in somewhat lower leaf exports and a hike in cigarette prices which have not gone up since 1971.

From 1970 to 1972 both oriental and flue-cured production increased by one-third to 100 million and 19 million, respectively. Burley production took a gigantic leap from around 1 million pounds to over 25 million pounds. Combined production of flue-cured and burley will total in excess of 45 million pounds in 1973.

Yugoslavia had a large favorable balance in its 1972 tobacco trade with exports amounting to 37 million pounds, compared with imports of about 13 million pounds—a marked increase over 1971 imports. The United States was the No. 1 customer taking 28 percent of the exports. East European countries and the USSR accounted for 59.4 percent of exports. West European countries and Japan received the remaining 12.7 percent.

Cigarette production continued its upward trend with output totaling 36.5 billion pieces, a 1.4-percent increase over 1971. Larger production was marked by a 13-percent rise in production of filtered cigarettes which now represents 89 percent of sales. Accompanying the shift to filter-tipped cigarettes has been a continuing change in consumer preference for blended-type cigarettes. This accounts for Yugoslavia's emphasis on production of flue-cured and burley tobacco which now represents one-third of the total tobacco crop.

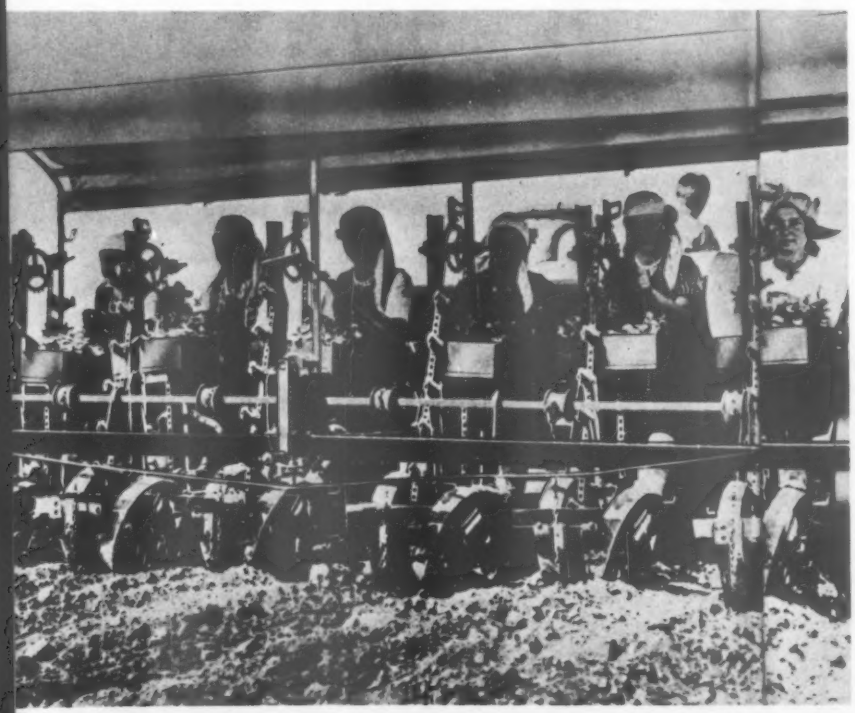
The United States supplied Yugoslavia 1.3 million pounds of tobacco in 1972—flue-cured, burley, and Virginia dark-fired, including 414,000 pounds of smoking tobacco in bulk, and 335,000 pounds of stems.

Seven brands of American-type cigarettes currently are being produced in Yugoslavia under licensing arrangements, which account in large part for increased U.S. leaf exports to Yugoslavia in 1972. Imports of U.S. cigarettes have been extremely low in recent years due to the satisfactory licensing arrangements for domestic manufacture of U.S. cigarette brands. However, in the first half of 1973 imports rose considerably to around 300 million pieces, primarily for sale to the expanding tourist trade.

Czechoslovakia has never been a large producer of tobacco, as part of the tobacco growing area of Slovakia was ceded to the USSR following World War II. Since that time annual production peaked between 1965 and 1969 at somewhat under 20 million pounds but has dropped since to about 13 million pounds. Burley is the most widely cultivated type. The Government is making strong efforts to increase the quality and quantity of flue-cured tobacco to lessen dependence on imported tobaccos. However, considering the ecological conditions existing in Czechoslovakia it is not expected that domestic production will exceed one-third the total demand.

LARGE TOBACCO imports from China during the 1950's have now been replaced by tobaccos from other areas. Currently over 70 percent of leaf requirements are imported, two-thirds of which are oriental tobaccos from Bulgaria, Greece, Turkey, and Yugoslavia. Flue-cured tobaccos are imported from Korea, India, and the United States. Imports from the United States in 1973 are expected to increase to about 1 million pounds, consisting mainly of high-grade flue-cured leaf and smoking tobacco in bulk.

Cigarette production has moved up sharply since 1969 and now approximates 24 billion pieces annually. Filtered cigarettes make up 60 percent of



Bulgarian woman, left, threading leaves of oriental tobacco to hang for curing. Women workers planting young tobacco plants, above, on a large collective farm in Bulgaria.

sales and are continuing to rise rapidly.

The Czechoslovak Government has initiated an anti-smoking campaign, primarily in the public school system. However, the national media devote very little coverage to the campaign and as yet no health warnings appear on cigarette packages. Cigarette consumption is expected to continue its upward climb but at a more moderate rate.

East Germany's tobacco production is estimated at approximately 15 million pounds of tobacco annually, mainly of the dark air-cured type used in dark cigarettes and pipe tobacco. Production has remained relatively level for the past few years.

Other East European countries supply the German Democratic Republic with the bulk of its import leaf requirements and about two-thirds of its imported cigarettes. Bulgaria appears to be the primary source of both leaf and cigarette imports. In 1972 the United States shipped 500,000 pounds of flue-cured leaf to East Germany and additional quantities of U.S. tobacco are believed to be transshipped through neighboring countries.

Smokers in East Germany consume 20 billion cigarettes annually, only about one-sixth the total consumption in West Germany. Imported cigarettes represent about 20 percent of the total with only one-third of these cigarettes originating in western countries. Filter-tipped brands make up 85 percent of total sales. Currently the third largest selling brand is imported from Bulgaria.

The cheapest nonfilter brand sells for about 55 U.S. cents per pack and the cheapest filter brand for about 75 U.S. cents. More expensive brands of domestic or Bulgarian manufacture sell for US$2.08. Popular brands from West Germany are sold to the public for US$2.42-$2.77. All East German brands have significantly higher nicotine and tar content than popular brands in West Germany where smoking and health is a strong issue.

A recent development is the introduction of "permission contracts" by which West German manufacturers license People-Owned plants in East Berlin to purchase and assemble prepared tobacco blends, cigarette paper, and filters of popular West German brands to be processed into cigarettes in East Germany to take advantage of lower labor costs. These cigarettes will be sold exclusively through State Intershops at airports and in the large cities to foreigners in order to earn hard currencies for East Germany. Several brands are expected to be licensed under this concept within the next year and should result in increased consumption of U.S. tobacco in East Germany.

Hungary is not producing enough cigarette tobacco to keep pace with its domestic consumption. When half the population was engaged in agriculture 25 years ago, sufficient tobacco was produced to cover local requirements and to allow substantial exports. However, in recent years, farm population has dropped to slightly over 25 percent causing tobacco production to decline to the point where Hungary now imports about $3 million of unmanufactured tobacco annually.

With the labor shortage, traditional methods of cultivation, requiring 230 days of manual labor for every 2.5 acres, have placed too great a strain on the manpower of most State farms and farmers' cooperatives. Consequently there has been a decrease from over 55,000 acres planted several years ago to the current 36,000 acres. Oriental, flue-cured, and dark air-cured types are cultivated.

"U.S. tobacco sales to East European countries are beginning to pick up and are probably destined for expansion as political and trade barriers are relaxed."

To ensure sufficient supply of domestic production, the Government has decided to mechanize, as far as practical, tobacco cultivation and to grant financial aid to farms producing tobacco. Machinery has been purchased from western countries and there are extensive plans to have additional machinery manufactured in Communist countries.

Hungarian cigarette production is estimated at 25 billion pieces. Filtered cigarettes account for about half the sales and are increasing. Total sales are growing at around 4 percent annually. Few imported cigarettes are on the market but additional quantities may need to be imported to fill the rapidly increasing demand.

Romania, primarily an agricultural country with over half of its 20 million population living on farms, has climate and soil suitable for the cultivation of the major types of tobacco. Since the 1965-69 period, however, average annual production had decreased to an estimated 66 million pounds in 1971, then recovered in 1972 to reach a record 37,900 metric tons. Oriental tobacco dropped from 53.5 million pounds during the base period to only 22 million pounds in 1971. During the same period production of dark air-cured increased from 25 million up to 44 million pounds (latest available estimates). Currently, flue-cured and burley are produced in limited quantities.

Domestic leaf production satisfies local requirements with small quantities of dark air-cured tobacco available for export to such countries as the USSR and France.

Oriental and dark cigarettes are preferred by Romanian smokers. Total cigarette production in 1971 was approximately 26 billion pieces. The upward trend in cigarette consumption is expected to accelerate as the population and the GNP advance. Currently, imports of unmanufactured leaf tobacco and cigarettes are insignificant.

Albania long has been a producer of oriental and dark air-cured tobaccos, dating back to the latter days of Ottoman rule when tobacco was cultivated throughout most of the countryside. Production expanded rapidly in 1954 in response to a Russian offer to take all the oriental tobacco Albania wished to sell; then blue mold struck the crop a damaging blow in 1961 and Russia stopped purchases. The People's Republic of China became a purchaser of large quantities of leaf and cigarettes and by 1963, production had not only climbed back to the previous decade's level but peaked at 33 million pounds.

Albania exported 13 million pounds to China in 1967. Blue mold struck crops in Europe again in 1968. From that time to the present Albania has found increasing markets for its tobacco in East European and African countries with deliveries to China, falling considerably below the 1967 peak.

Cigarette production currently exceeds 5 billion pieces annually with more than half going into export. China is still the dominant market for Albanian cigarettes, taking nearly 75 percent of total cigarette exports. Blended filter-tipped brands are popular in China and also sell well in Czechoslovakia and East Germany.

Poultry Meat Output and Use Up Sharply in Western Europe

BY JOHN C. HOBBES
Dairy and Poultry Division
Foreign Agricultural Service

DURING THE FIRST half of 1973, Western European production and consumption of poultry meat increased markedly, despite spiraling feed costs. Exports by most Western European nations also gained due to European Community (EC) export subsidies. This resulted in sharp declines in exports of U.S. broilers to several third country markets.

In West Germany, poultry meat production during the first half of 1973 reached 111,700 metric tons, 9 percent more than a year earlier and 17 percent above the same period of 1971. Early in 1973 the industry relaxed its program of voluntary production restraints, which had been designed to prevent recurrence of market gluts but which in reality had encouraged shipments from elsewhere in the EC. Producer prices for broilers increased by 30 percent between January and September 1973. Turkey production again expanded in early 1973, with a strong trend toward heavier birds, after leveling off in 1972.

Although West Germany is the world's largest poultry meat import market, its subsidized exports in the first half of 1973 totaled 8,863 metric tons, more than double those of a year earlier. The bulk of the subsidized West German shipments were frozen whole broilers and fowl going to markets in the Near East, South America, and Hong Kong, which resulted in a loss of the U.S. share of these markets.

The amount of poultry meat imported during January-June 1973 was moderately above that of a year earlier. Imports of Danish broilers increased to 3,900 metric tons, from 350 metric tons in the first half of 1972. This gain more than offset decreases in shipments from the Netherlands, France, and the United Kingdom.

West German imports of all U.S. poultry meat increased by 39 percent, with turkey parts, largely drumsticks, accounting for most of the growth.

Responding to growing consumer demand, domestic broiler production in Switzerland increased by roughly 17 percent and imports of poultry meat gained by more than 13 percent during the first 7 months of 1973. The U.S. share of this foreign market dropped drastically, from about 24 percent of total imports a year earlier to 6 percent for the first 6 months of 1973, as a result of the discontinuance of the limited U.S. export subsidy program for whole broilers to Switzerland and Greece.

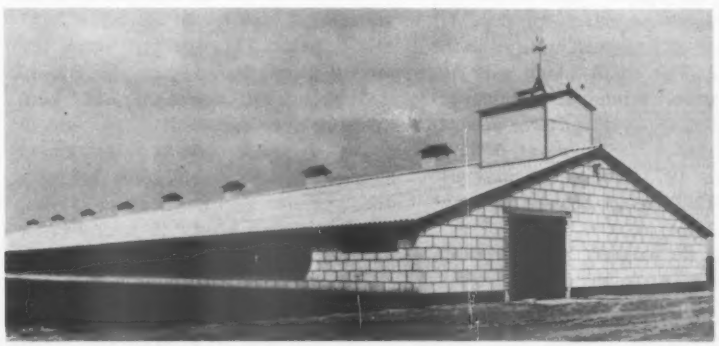
Benefiting from the EC export subsidy program, France more than tripled exports to Switzerland during the first half of 1973 and moved into first place, ahead of Hungary, while Swiss imports from the Netherlands reached 1,342 tons during January-June, compared with 99 tons in the same period of 1972. In the first 6 months of 1973, however, Swiss imports of U.S. turkeys and turkey parts expanded to 629 tons, against 146 tons a year earlier. Production and consumption of eggs was little changed from a year ago.

In Denmark increasing feed costs have been more than offset by higher domestic prices for broilers and advantages gained through EC membership. Poultry meat production during January-June 1973 was up 9 percent from the first half of 1972. The downtrend in Danish egg production prior to entering the EC halted in late 1972, and egg output in the first 6 months of 1973 rose more than 3 percent about that of a year earlier.

Danish exports of poultry meat in the first half of 1973 totaled 26,186 metric tons, up 2.5 percent from the same period of 1972, with export destinations changing markedly. Comparing the two 6-month periods, poultry meat shipments to West Germany increased from 1,656 tons to 4,767 tons, making that country once again Denmark's prime export market.

Shipments to Greece increased from 85 tons to 2,142 for the same 6-months' period, but declined substantially after the EC subsidy was lowered in April 1973. Subsidized exports to Hong Kong expanded by 23 percent, while those to most other traditional markets trended downward. Exports of shell eggs in the first half of 1973 increased by 46 percent from a very low level a year earlier.

DANISH POULTRY MEAT consumption during the first half of 1973 increased 36 percent over the same period of 1972. This expansion resulted from a domestic-price decline when the home market scheme was discontinued upon EC entry, the high price of competing meat, and a consumption promotion program. This growth is likely to be sustained and may restrict export availability of poultry meat, especially for shipments outside the EC. Egg consumption



Modern broiler house in the Netherlands, above. Dutch broiler production was up last year, but turkey production, right, was considerably down.

throughout 1973 is expected to remain close to the 1972 level.

In the Netherlands, poultry meat production during January-June 1973 was less than 1 percent above that for the same period of 1972. Reductions occurred for fowl (down 7.5 percent) and turkeys (down 3.7 percent), while broiler production increased by 1.5 percent. Increases were registered in subsidized poultry meat shipments to Switzerland, Austria, and Singapore. Broiler shipments to West Germany, the Netherlands' most important market, were down 2 percent from the same period of 1972; and ground was lost in some other markets, reducing total poultry meat exports by 2 percent below those of a year earlier.

Substantial gains were recorded for turkey meat exports by the Netherlands, mainly to EC markets with shipments to West Germany up 30 percent. Egg exports increased substantially, with gains in sales to West Germany and the United Kingdom which more than offset losses in those to France and Italy.

THE UNITED KINGDOM'S entry into the EC had limited effect on the poultry industry in that country during early 1973. Egg prices were high because of a cyclical reduction in laying flocks. Thus, egg imports increased, and would have been higher had exportable supplies elsewhere in the EC not been tight. Poultry meat output increased in the first half of 1973, as did placement of broiler eggs and the production of turkey poults.

Poultry meat imports, which accounted for less than 1 percent of U.K. supplies, were 2 percent below those of a year earlier. Total turkey meat imports declined, but the U.S. share of turkey meat imports rose substantially.

In Greece, production of both poultry meat and eggs were discouraged by strictly enforced ceiling prices, combined with higher feed costs. Also, record hot weather killed many poultry.

Broiler production in Austria continued upward in early 1973. Although retail prices were higher than in 1972, the competitive advantage of chicken meat prices, compared with those for red meats, was greater than previously, thus stimulating demand.

Imports of frozen broilers and parts during January-June 1973 totaled 5,430 tons, 12 percent above a year earlier, the bulk of which came from Hungary and EC subsidized exports.

Support prices higher

Mexico's 1973 Farm Output Jumps As Corn and Soybeans Set Records

Mexican farm production made a strong comeback in 1973, with total yields of crops and livestock estimated at 7 percent above 1972 figures.

Heavy midyear rains not only boosted 1973 crop totals but also left irrigation dams filled with ample water supplies.

Crop production in 1973 is expected to be up nearly 9 percent above 1972 levels. Food crops made the largest gains; output of nonfood crops declined.

Crop production probably will move ahead of the 1964-72 and the 1968-72 trends, but livestock production, while up slightly in 1973 and ahead of the 1964-72 trend, fell short of the 1968-72 trend.

Wheat production rose by 300,000 metric tons to 2 million metric tons, thanks to the new Government incentive payments. Areas planted in wheat increased by 6 percent, and yields rose by 4 percent over 1972 levels.

Corn, the star performer among crops, registered an alltime record of 9.5 million tons, aided considerably by the late-summer rains.

Production of sorghum, rice, oats, and beans also benefited from the rains.

Soybean output was a record 510,000 tons, but the increase did not offset declines in cottonseed, safflower, and copra. Total oilseed production was slightly below last year. The wheat-soybean rotation plan continues to compete successfully for acres that by tradition would be planted in cotton or safflower.

Beef herds expanded slightly in 1973, due to the good range conditions which prevailed throughout most of Mexico. Also, a higher percentage of slaughter cattle came off improved pastures in the Gulf area. This trend, along with improved pastures throughout Mexico, resulted in higher beef and veal production. Pork production, however, declined sharply in 1973, following unusually heavy 1972 slaughter because of lower prices.

Despite the higher yields in both crops and livestock, the economic pressures of rising population and higher incomes are expected to keep up the pressure on the Mexican farm economy throughout 1974.

To meet these challenges, the Mexican Government is continuing to encourage increased output by providing more production credit and by higher support prices. In addition, the flow of imports and exports will be carefully controlled through the use of permits.

Support prices of all major grains, edible beans, and some oilseeds have been increased by 35 to 70 percent over October 1972 levels. Support price of corn was increased from $1.91 per bushel to $2.44; wheat, from $1.92 to $2.61; and soybeans, from $3.49 to $5.89. A price floor for SM 1 1/16-inch cotton was established for the uncommitted part of the 1973 crop at 63 cents per pound.

In order to assure domestic supplies of cotton, the Government has required export permits since August 1973. Permits have been issued for 800,000 bales. No additional permits are expected to be required for the 1973 crop. (Exports from the 1972 crop totaled 863,000 bales.)

The initial feeder cattle export quota for 1973-74 (October-September) is slightly above the 600,000 head mark—a 200,000-head decrease from the previous year.

Mexico's total farm trade picture thus seems headed for improvement in 1974. If normal weather prevails, agricultural imports probably will be lower than in 1973. Corn imports, in particular, are expected to drop rather sharply from calendar 1973 imports of about 844,000 tons, mostly U.S. corn.

Wheat imports are expected to be at moderately high levels, but below 1973 when about 721,000 tons were imported, mostly U.S. wheat.

Soybeans and soybean products will continue to be imported.

An important factor that could change Mexico's overall trade picture is the current energy situation. Also, Mexico imports nearly 25 percent of its fertilizer.

Exports are not expected to change much from the 1973 levels.

Cattle and meat export quotas for 1973-74 (October-September) are lower than for 1972-73, but there are indica-

Continued on page 16

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

USSR Makes Record Wheat Procurements

The Soviet Union has procured more than 90 million metric tons of grain and pulses from the USSR's claimed 1973 record crop of 222.5 million tons. This is a 50-percent increase over the 60 million tons procured in 1972 and is well above the previous record of 75 million tons in 1966.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Jan. 22	Change from previous week	A year ago
Wheat:	*Dol. per bu.*	*Cents per bu.*	*Dol. per bu.*
Canadian No. 1 CWRS-13.5	6.50	+ 4	3.19
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	3.07
U.S. No. 2 Dark Northern Spring:			
14 percent	6.45	− 8	3.15
15 percent	(1)	(1)	3.17
U.S. No. 2 Hard Winter:			
12 percent	6.24	−11	2.95
No. 3 Hard Amber Durum	9.05	0	3.07
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.54	+ 9	2.23
Argentine Plate corn	3.92	+ 1	2.41
U.S. No. 2 sorghum	3.46	+10	2.31
Argentine-Granifero sorghum	3.42	+11	2.30
U.S. No. 3 Feed barley	3.11	+ 1	2.04
Soybeans: [3]			
U.S. No. 2 Yellow	7.14	− 4	6.21
EC import levies:			
Wheat [4]	[5] 0	0	.88
Corn [6]	[5] 0	0	.63
Sorghum [6]	[5] 0	0	.49

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] New crop. [4] Durum has a separate levy. [5] Levies applying in original six EC member countries. Levies in U.K., Denmark, and Ireland are adjusted according to transitional arrangements. [6] Italian levies are 18 cents a bu. lower than those of other EC countries.

Note: Price basis 30- to 60-day delivery.

U.S. Wheat Prices at Rotterdam at Alltime High

Recently reported Rotterdam offer prices for U.S. wheat for nearby delivery have reached an alltime high. Prices as of the week ending January 12 are given below with prices a month previous in parenthesis: No. 2 DNS, 14 percent protein—US$239.75 per metric ton or $6.53 per bushel ($225/$6.12); No. 3 Hard Amber Durum—US$332.50 per metric ton or $9.05 per bushel ($327.50/$8.91).

It is also reported that lower use of imported wheat is being contemplated in Germany and the Netherlands. The steady advance in U.S. offer prices for wheat and feedgrains, combined with other factors such as increased value of the U.S. dollar and higher ocean freight costs, has caused a drop in buying enthusiasm.

Fertilizer Bind Cuts Indian Crop Estimate

A serious fertilizer shortage may cost India 6-9 million tons of foodgrain this year. With Eastern Europe and Japan defaulting on contracts, India's fertilizer deficit may grow to nearly 900,000 tons. High-yielding wheats under irrigation need adequate fertilizer to thrive. World Bank officials estimate that grain production may drop 700,000-1,000,000 tons for every 100,000-ton shortage in fertilizer.

Indian Government officials, who had previously estimated 1973-74 grain production at 115 million tons, are now officially projecting 110 million.

EC Commission Sets Dual Export License System

The European Community Commission reduced the period of validity of export licenses for grains—effective December 21, 1973—from 60 days plus the month of issuance to 30 days. However, the period of export license validity under the tender system for grain export levies will remain 60 days plus the month of issuance. Thus, the EC will have two methods of export in operation: One, under the traditional system of export licenses in which the current export levy is $96.50 per metric ton; and the second system, which calls for bids on export levies, the first of which was announced on January 10, 1974.

PRC-Argentine Pact Calls For Corn, Wheat Shipments

Under the long-term agreement recently concluded by Argentina and the People's Republic of China (PRC), Argentina will sell a minimum of 700,000 to a maximum of 1 million metric tons of grain annually during 1974-76. The pact calls for a 50 percent wheat and 50 percent corn except for 1974, when only a small quantity of wheat will be included.

The first 1974 contract calls for 200,000 tons of corn to be shipped during January-March 1974.

FRUIT, NUTS, AND VEGETABLES

South African Canned Fruit Higher Priced in 1974

The South African Canned Fruits Board has announced substantially higher opening prices for the 1974 pack of canned deciduous fruit. Trade publications indicate U.K. prices of institutional-size cans (No. 10) will run about 25 percent above those of 1973 and include changes in duty and exchange rates. Fruit packed in consumer sizes are expected

to be given duty-free entry privileges when prices are announced in early 1974.

Prior to this season South African fruit entered the United Kingdom duty free under the Commonwealth preference.

Venezuelan Apple and Pear Imports for November 1973

An unofficial tally of apple and pear imports for November 1973 compiled from daily reports of the Venezuelan Port Authority in metric tons shows: Apples: Canada, 42; France, 1,427; Germany, 363; United States, 766—Pears: France, 860; United States, 89—Apples and pears (not separately classified): France, 30; United States, 57.

Norway, Sweden Open Frontiers to U.S. Apples

The Government of Norway has opened its frontier to apple imports, effective January 8, 1974. This was well in advance of the March 1 opening date for last season.

The Swedish frontier was opened to apple imports on December 27, compared with last season's January 8 opening.

In the 1972-73 season (July-June), the United States exported 234,000 boxes of apples to Sweden and 128,000 boxes to Norway.

LIVESTOCK AND MEAT PRODUCTS

Mexico Increases Feeder Cattle Quota

Mexico's initial feeder cattle export quota for 1973-74 of 598,000 head has recently been increased by 8,000 head. Other increases may occur as the season progresses.

In addition to the regular quota, Mexico also has a new open end quota for Holstein steer calf exports which could account for another 10,000-20,000 head. Also, a special export program exists for small farmers that could add another 100,000 head per year.

Total quota for the 1972-73 year was 791,000.

SUGAR AND TROPICAL PRODUCTS

U.S. Confectionery Import Quota for 1974

The U.S. Department of Agriculture has set the 1974 global quota on imports of sweetened chocolate (other than in bars and blocks of 10 pounds or more each), candy, and confectionery into the United States, including Puerto Rico, at 189.7 million pounds. This year's quota compares with the 1973 quota of 198.7 million and the 1972 quota of 196.6 million pounds. Individual shipments valued at $25 or less are not subject to quota.

The current year's quota was determined by taking the larger amount representing either the average of 1970-72 imports of these items (148.8 million pounds) or 5 percent (189.7 million pounds) of 1972 confectionery manufacturers' sales in the United States.

The 1974 quota reserves 21.68 million pounds solely for the importation of "sweentend chocolate not for consumption at retail" (chocolate milk crumb), which is controlled by licenses issued by the USDA's Foreign Agricultural Service.

The remainder of the global quota (167.98 million pounds) shall be on a first-come, first-served basis, except that only 70 percent (117.59 million pounds) may be imported on or before September 30, 1974. The balance is available for importation in the last quarter of the year when imports associated with the holiday periods usually occur.

TOBACCO

EC Cigarette Industries Favor Specific Tax

Associations that represent the free-enterprise cigarette industries in seven European Community (EC) countries (France and Italy have state monopolies) recently passed a resolution stating the EC's final cigarette tax structure should contain a 75-percent specific element and a 25-percent proportional element, with a value-added-tax (VAT) included in the proportional element. The Belgian industry, while not unanimously in favor of the 75/25 structure, fully supports inclusion of a VAT in the proportional element.

EC members' present tax structures vary considerably: Those of the United Kingdom, Ireland, and West Germany are largely specific; Italy's and France's are nearly all proportional; Benelux and Denmark have mixed structures.

The final tax structure to be adopted is of considerable importance to EC cigarette manufacturers and to countries supplying cigarette tobacco to the Community. A predominantly proportional tax would favor use of cheap, low-quality leaf, whereas a predominantly specific tax would help maintain EC demand for high-quality, high-value cigarette tobacco, such as that from the United States.

DAIRY AND POULTRY

West Germany Imports More U.S. Poultry Meat

As of mid-December 1973, estimated imports of U.S. poultry meat by West Germany for the calendar year had reached 14,000 metric tons—40 percent above those of calendar 1972. Larger shipments of turkey meat products are credited for much of the increase.

For the first time since 1958, West Germany's per capita consumption of poultry meat is not expected to increase and may even decline slightly—from 19.4 pounds in 1972 to 19.1 pounds in 1973. Higher consumer prices for poultry meat in contrast to smaller rises in other food prices appear responsible for the drop.

British Eating More Poultry Than Beef

Per capita consumption of poultry meat in the United Kingdom, continuing a steady upward trend, exceeded that of beef during the second and third quarters of 1973, according to an official survey of household consumption.

Home consumption of red meats as well as fish showed a downward trend in the rate of growth from calendar 1971 through the third quarter of 1973, in contrast to poultry meat which increased by 42 percent.

Between calendar 1972 and the third quarter of 1973,

average household expenditures for poultry meat increased by 39 percent and for eggs by 47 percent. These increases were substantially greater than expenditures for red meats and fish, which showed growth ranging from 13 percent (fish) to 31 percent (bacon), and greater than the increase in total household expenditures for food (up 17 percent).

West Germany's Turkey Imports Up in January-September 1973

West Germany's turkey meat imports during January-September 1973 totaled 29.1 million pounds, 68 percent above those of a year earlier. U.S. shipments increased from 11.9 million pounds to 19.1 million pounds, according to trade data—a gain of 61 percent. Shipments from the Netherlands, West Germany's second largest supplier, at 4.3 million pounds, were unchanged.

West German imports from elsewhere in the European Community (EC) expanded from roughly 1.1 million pounds to 4.6 million.

Imports from Hungary increased from 26,000 pounds to 1.1 million pounds. EC countries and third countries provided about 31 percent and 69 percent, respectively, of West Germany's turkey meat imports in both periods.

COTTON

Shortage of Bunker Oil May Cut U.S. Cotton Exports

According to a number of reliable trade sources, U.S. cotton exports for the 1973-74 season are being adversely affected by inability to obtain ocean transportation. At least three factors are involved. Shipping space is limited in relation to the total demand for transportation of all commodities. This situation is aggravated by the tight worldwide supply situation of bunker oil. Some ports are limiting vessels to an amount of bunker oil only adequate to reach the next port of call. In some cases, vessels are actually unable to obtain the fuel needed to sail. Also, there are reports of some U.S. vessels leaving the United States only when carrying a supply of bunker oil adequate for the return journey. This extra fuel limits their freight capacity.

Although the total of U.S. cotton exports and sales registered for export during the balance of the marketing year exceeds 6.5 million bales, these trade sources express doubt that exports will even reach the current official estimate of 6 million bales.

GENERAL

U.S.-Philippine Trade Pact Expires in Mid-Year

The Trade Revision Agreement of 1955 between the United States and the Republic of the Philippines, commonly referred to as the Laurel-Langley Agreement, will expire on July 3, 1974. In anticipation of this date, and according to the provisions of the Agreement, reverse tariff preferences, some special preferences, and all quotas except the abaca cordage quota expired as of December 31, 1973.

The Agreement provided that ordinary customs duties collected on all Philippine and U.S. imports would be an annually increasing percentage of respective most-favored-nation (MFN) rates. As of January 1, 1974, the applicable duty reached 100 percent of U.S. and Philippine MFN-rates.

Certain transitional duties on U.S. imports of Philippine sugar, tobacco, and coconut oil will be in effect until July 3, 1974. The duty on sugar and tobacco scrap will be 100 percent of the Cuban preferential rate. On July 4, 1974, all Philippine imports will be subject to the full U.S. MFN rate.

Brazil Cuts Farm Tariffs

The Government of Brazil recently reduced or removed tariffs from several agricultural commodities.

Duty on vegetable oils was reduced to zero through March 31, 1974. Import duties on all types of beef were suspended. Duties on most dried fruits were reduced to 10 percent and for certain nuts, raisins, and prunes they were cut to 5 percent. The ad valorem duty on tallow will remain at zero until December 31, 1974.

European Community and Brazil Sign Trade Pact

The European Community (EC) and Brazil signed a trade pact December 19, 1973, and certain concessions became effective January 1, 1974.

Brazil will share in the same favorable levy arrangements for frozen and chilled beef now in effect with Argentina and Uruguay. These involve partial suspension of the levy on frozen beef for processing. They also permit advance fixing of the levy on chilled beef so the required payment is not higher when the beef arrives in Europe than it would have been if calculated when the beef left South America.

The Community will add agricultural products of special interest to Brazil to its generalized preference program for developing countries. A new program of preferences went into operation the first day of 1974 as the United Kingdom, Denmark, and Ireland discontinued their independent generalized preference programs and began to apply those of the European Community.

The Community will add cocoa butter to its program and increase the margin of preference on soluble coffee, in both cases within the limits of a tariff quota; and Brazil will undertake commitments for orderly marketing. These concessions deal with a situation in which duties in the United Kingdom are being increased as the country adopts the Common External Tariff. Cocoa butter, for instance, had been free.

The agreement does not involve special preferences of the Mediterranean type.

Other Foreign Agriculture Publications

- World Sugar Harvest Is Another Record in 1973-74; Molasses Output Also Record (FS-3-73)
- World Tobacco Crop Up 3 Percent (FT-6-73)
- World Cotton Trade in 1973-74 To Remain High (FC-30-73)
- Current Status of Cotton and Cotton-Products Operations under Public Law 480 (FC-31-73)

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DANISH CONSUMERS GET NEW DAIRY SUBSIDY

New Danish legislation became effective recently which will subsidize Danish consumers of dairy products at the rate of about $65 million annually and reduce the prices of milk, butter, and cheese at the retail level. This action was in response to growing housewife complaints about rising food prices in general and rising dairy prices in particular. During the first 10 months of 1973 Danish retail prices of butter had increased 20 percent, whole milk 33 percent, and cheese 36 percent.

The subsidy is in the form of an offset of the 15 percent value-added-tax (VAT) applicable to all food sales and most other transactions in Denmark. The VAT on dairy products is technically still in effect but the Government now pays an equivalent subsidy to wholesalers (dairy plants, processors, and canners) for sale to the home market. This in turn is passed on to retailers and consumers.

Denmark's small imports of dairy products (mainly French cheese) are also eligible for the subsidy. A similar scheme, which offset two-thirds of the VAT but which did not apply to imports, was abolished on February 1, 1973, when the European Community's Common Agricultural Policy became effective in Denmark.

The sharp increases in the retail prices earlier this year were in a large part due to EC membership and the discontinuation of Denmark's former dairy support scheme. In face of the higher prices, consumption of butter and cheese was down about 10 percent during the first 10 months of 1973.

More than offsetting the cost of the recent subsidy to pay for dairy consumption, the Government at the same time increased the taxes on cigarettes, beer, and soft drinks, gasoline, and automobiles.

Mexican Farm Output

Continued from page 12

tions that they may be increased.

Sonora—a major feeder-cattle State—has been suffering from its worst drought in 20 years. In the past, drought conditions usually have led to substantially increased exports of feeder cattle. In addition, meat export quotas could be encouraged because of the slight declines in Mexico City meat prices and the large inventories in meat-storage facilities.

In the period 1968 to 1971, Mexico used an average of 432,000 metric tons of nitrogenous fertilizer, while producing 319,000 metric tons. This shortfall in production represents nearly 26 percent of total consumption. In the past Mexico has been able to meet any shortfall by purchases in world markets. With the tight world supply of nitrogenous fertilizers, however, there is considerable concern about availability. Any fertilizer shortage would be felt most strongly in the northwest, which is the principal wheat, oilseed, and cotton producing area in Mexico.

—By JOHN E. LINK, ERS

Textile Importers, Exporters Sign GATT Agreement

Major textile exporting and importing countries agreed to an arrangement under auspices of the General Agreement on Tariffs and Trade (GATT) covering trade in textiles of cotton, wool, and manmade fibers, and providing for coverage of manmade fiber staples and filaments under certain conditions.

The agreement, called the Arrangement Regarding International Trade in Textiles (MTA), supersedes the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA). The agreement was made December 20, 1973.

Stringent "market disruption" provisions will have to be met under the MTA before an importing country can take restraint action against an exporting country. Moreover, in the future, all restraint actions will be subject to review by an international surveillance body consisting of representatives from eight member countries and a chairman.

Within 1 year's time, currently existing restraints, including bilateral agreements, must be brought into conformity with the new standards, which provide for a growth rate of not less than 6 percent for restraints that continue for more than a year.

The new arrangement, whose term of effectiveness is 4 years from January 1, 1974, is expected to further expansion of textile exports from developing countries while providing a mechanism to avoid market disruption in importing markets.

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